

{As prepared for delivery}

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**National Association of Regulatory Utility
Commissioners
2003 Winter Committee Meetings**

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- **Good Afternoon and thank you Mark (Lambert) for the fine introduction.**
- **I am pleased to be with you today – and excited by the threshold that we are crossing in rural America. As we enter the 21st Century, a new frontier is upon us – it is the advancement of infrastructure that will support modern information technology. Which in turn will support the development and economic enhancement of rural America. What electric and telephone were to the 20th century, telecommunication is to the 21st century.**

- **This is an exciting time filled with endless possibilities – rural communities are beginning to access the technology and infrastructure essential to enable them to compete in the 21st Century.**
- **And as someone who was raised and lived in rural Iowa, I have seen first hand the tremendous impact these advances have had in such areas as farming and local business development. In some cases they have dramatically improved the way of life for rural residents.**
- **I would add that there is no greater supporter of rural America than President Bush and this Administration. He has been an avid supporter of expanding access to modern technology such as – broadband -- and understands that for America to compete globally we must develop the necessary capacity to do so.**

- **The important thing to remember is that this infrastructure goes beyond simply providing access to the Internet. It opens a whole new world of opportunity. When the technology is fully in place, businesses will increase their ability to compete in world markets, the agriculture community will have the capability for greater food security, enhance logistics management, and develop value-added processing, students will have access to new means of learning, and medical services in rural areas will be dramatically improved.**
- **The ability of rural citizens and communities to have the best of both worlds, the advantage of living in a rural area, and the opportunity that is provided in centers of commerce, education, and medicine will begin to be bridged.**
- **And as we worked with community leaders to bring electricity to farms, ranches, and rural communities – as regulators of utilities you realize this value -- we will again work with community leaders to bring new technology infrastructure to rural businesses, schools, medical facilities, farmers, ranchers, and the list goes on.**

- **As you may know, the Administration recently announced that \$1.455 billion in capital investment funds are now available to expand broadband infrastructure -- If we invest wisely in the infrastructure and support local efforts, the return on this investment will pay tremendous dividends.**
- **Our fundamental belief is Rural Development's role should be to serve local communities by facilitating the harnessing of the resources necessary to address regional economic and quality of life issues.**

Venture Capital

- **In my view we at Rural Development are doing this by serving as the venture capitalist for rural America**
- **Unlike the past when we were perceived as the lender of last resort – We now bring capital, technology and technical assistance to rural America. – In fact we will bring nearly \$14 billion worth of opportunity.**

- **When a venture capitalist invests in an entrepreneur what does he get in return? -- Equity – If the entrepreneur is successful – the venture capitalist is much better off. So why is Rural Development the venture capitalist of rural America? Because we, the President, and Congress believe in rural America. The return on our equity from rural America is a stronger rural economy, a higher quality of life, and the benefits derived for all of society from exploiting the talents and resources of all rural Americans.**

- **To bring this into greater focus, I want to expand upon two Farm Bill initiatives that are center stage at Rural Development:**
 - 1. Agricultural Value-Added Product Market Development Grants**
 - 2. Section 9006 of the 2002 Farm Bill - THE RENEWABLE ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS**

1. VALUE-ADDED

- **Over the past two years, the Administration has placed a significant emphasis on helping producers to increase profit margins by adding value to their commodities.**
- **While agricultural policy is focused mainly on production, Rural Development strives to help maximize the return on all available resources in rural areas. Particularly including those derived through value-added endeavors. Grants provide funds for:**
 - **Feasibility studies;**
 - **Developing legal structures; and**
 - **Other necessary components.**
- **In support of President Bush's economic agenda, USDA Rural Development provided \$57 million in Agricultural Value-Added Development Grants in the last two years, including \$10 million in proposals to develop and market bioenergy in 22 states. This is a significant contribution to entrepreneurialship**

- **The 2003 Appropriations Bill signed by the President last week will fund the program at \$40 million this year.**

2) SECTION 9006 -- Farm Security and Rural Investment Act of 2002 (Farm Bill)

- **This is the first time an energy title focusing on renewable energy systems and energy efficiency improvements has been included in a Farm Bill.**
- **And it “Establishes a grant, loan, and loan guarantee program to assist eligible farmers, ranchers, and rural small businesses in purchasing renewable systems and for making energy efficiency improvements.”**

- **We are under a tight timeframe to make selections by the end of September. Consequently, this year’s \$23 million will be made available in the form of grants – which we hope to advertise in June. This is not to say that we have abandoned the making of rules, but time is of the essence and we don’t wish to risk losing the funds because of a slow rule making process.**
- **I feel that it is especially important though to ensure that as we implement this program, we do it in a way that is useful to those who may best be able to develop, implement and benefit from these opportunities.**
- **I appreciate the input we received during our public meeting in December from the National Association of State Energy Officials who shared their success in developing energy partnerships in states like Oregon, Hawaii, Vermont, and Florida.**

- **All the input we received will help us to develop an effective and useful funding delivery system. By sharing ideas and concerns we hope to better serve those who ultimately utilize this program to create alternative energy systems.**
- **And just as we sought input from organizations and private citizens to develop an effective and useful program, our rule development process is composed of an inter- and intra-agency working group involving folks for NRCS, FSA, ERS, EPA and DOE. –**
- **Other provisions of the Energy Title of the Farm Bill include:**

9002 – Federal Procurement of Biobased Products

- **--Simply stated – If biobased products have comparable performance and purchase of such items are less than \$10,000 and they are reasonable in price – all Federal agencies are required to give preference to them.**
- **This was funded at \$1 million per year for 5 years.**

9003 -- biorefinery Development Grants

- To assist in the development of new and emerging technologies for the use of biomass (no funding provided)

9004 – Biodiesel Fuel Education Program

- Funded \$1 million each year for 5 years

9005 -- Energy Audit and Renewable Energy Development

- Program to assist farmers, ranchers and small businesses to become more energy efficient (no funding provided)

9007– Hydrogen and Fuel Cell Technology

9008 -- Biomass Research and Development

- \$5 million in 2002
- \$14 million – 2003 –2007
- To carry out research to promote understanding and flux and exchange of carbon and greenhouse gasses in soils and plants.

9010 – Continuation of Bioenergy Program

- **\$100 – 150 million annually**
- **Program under which the Secretary makes payments to eligible producers to encourage production payment based on formula.**

- **Whether it is the development of value-added agricultural products or expanding renewable energy opportunities -- agriculture is entering a new era.**

- **I like to use the analogy of the hourglass – for I think it best depicts our relationship to certain events.**

- **The history of U.S. agriculture and its accompanying social and rural policy is essentially that of a social contract entered into by our rural forefathers with the policymakers and leaders of the early – mid 1800's. The leaders agreed to provide land, economic opportunity, and ultimately education to the hearty souls who were willing to travel to and settle the vast Western reaches of the continental U.S.**
- **In return it was expected they would exploit our natural resources in order for the country to have adequate food-fiber and the necessary raw material to build our developing industrial base.**
- **This social agreement worked. Built upon a constitutional republic form of government. Which was founded on the principle of freedom secured by the concepts of title to property, contracts and rule of law – this social agreement worked like nothing mankind had ever seen.**
- **So where does the hourglass fit?**

- **At the top – the widest point one might envision the mid-late 1800’s – thru the late 1970’s. There was great growth and opportunity – much demand and limited competition. But beginning in the early 80’s – we transitioned into the neck and we’ve been there for nearly 20 years.**
- **Why? Because large segments of the world formerly governed by totalitarian regimes became free – thus creating competition for our traditional commodity based markets.**
- **In addition – the Internet and technology were developed – two more things impacted us – the free flow of capital and easy access to knowledge -- created additional international and non-traditional competition pressures.**
- **Yet – in my view—we are near if not already moving into the other wide half of the hourglass. With numerous initiatives being developed that address a host of new opportunities ranging from renewable energy, to carbon and greenhouse gas sequestration and mitigation, to the development of an entirely new biobased products industry -**

- **I do believe we are on the cusp of new growth opportunities for agriculture and all of rural America. We are nearly through the neck of the hourglass.**
- **Why do I suggest this?**
- **You might recall the first major policy initiative unveiled by President Bush and his Administration in May of 2001 was to develop and give direction to our nation's energy policy – one that highlighted the issue of energy independence and national security. This initiative clearly brought renewable energy to the table.**
- **Renewable energy which involves everything from ethanol produced from many sources of biomass to wind, geothermal, and even anaerobic digestion of animal waste -- all clearly have places at the table.**
- **This focus and emphasis by the Administration set a tone and course for integrating renewable energy into our nation's national security, energy, and agriculture policies – that were soon to be followed up by Congress in the 2002 Farm Bill and signed into law last May.**

- **The significance of the Farm Bill is that it continued the focus of President Bush by expanding a number of policies that responded to these renewable energy and environmental opportunities.**
- **While all of the initiatives have not been funded -- the significance is that they are lines in the sand. – Placed all together – the Presidential and Farm Bill Initiatives are creating significant policy and enormous new opportunity for rural America. – Although these initiatives are ebb and flow.**
- **And we haven't even talked about the fact that half of the renewable energy produced today is electricity – coming mostly from highly efficient wind turbines as well as anaerobic digesters.**
- **Earlier this month President Bush announced his intention to ask Congress to extend both the Federal Income Tax Credit and the Ethanol excise tax exemption from 2007 through 2010.**

- **Also, the Energy Bill may be taken up in this session of Congress. If the renewable fuel standards mandate of \$5 billion gallons by 2012 is still in it – that becomes another major building block for the renewable industry – And will utilize nearly 1.7 billion bushel of corn.**
- **Finally – there is potential promise for the many biobased products being developed by innovative companies like Cargill-Dow, DuPont, and other research and development firms that are eyeballing the 350 billion pounds of polymers consumed by this country every year – and a number that is growing by 5% annually.**
- **All in all these renewable and biotech advances are no longer simply visionary concepts – They are the realities which are upon us.**
- **Whether we are talking about the expansion of broadband infrastructure or the value-added and renewable energy initiatives in the Farm Bill -- USDA and USDA's Rural Development can play a supportive role in expanding the economic base in rural America.**

- **As I said at the outset, since becoming Under Secretary it has become clear – Two Primary Goals**
- **USDA Rural Development’s mission is to make available to communities the tools that can accomplish our two primary goals --- Since the onset of the Bush Administration – our mission has become the implementation of Our Two Primary Goals:**
 - **That is to increase economic opportunity throughout rural America; and**
 - **To improve the quality of life for all rural Americans.**
- **Although these two goals sound simple enough, for those of you who live in rural areas know, this is easier said than done.**
- **Our fundamental belief is Rural Development’s role should be to serve local communities by facilitating the harnessing of the resources necessary to address regional economic and quality of life issues.**

- **How do we do this? By pushing the President's agenda, exploiting opportunities in the Farm Bill, and working with organizations like yours. We do this with:**

Economic Opportunities:

- **Capital Investments**
- **Infrastructure**
- **Technology**
- **Energy**

Quality of Life:

Basic

- **Housing**
- **Food and Water**

Essential

- **Education**
- **Health Care**

Necessary

- **Recreational; and**
- **Cultural**

- **If we begin to succeed at these initiatives, that of increasing economic opportunities and improved quality of life, many of which are already in play, then opportunities will move into these rural areas.**

CLOSING

- **I want to leave you with this message. When you look at the whole picture of the Bush Administration's record – whether it is the development of broadband infrastructure, value-added agricultural products ventures, renewable energy to reduce our dependence on foreign produced energy, or biotechnology development -- you will see a President and an Administration that is firmly behind rural America.**
- **We fully support all of the local efforts that will bring new economic opportunities and energy independence to our nation. An ultimately, will allow our rural citizens to improve their overall quality of life.**

- **Rural Development is one of the core agencies affecting development in Rural America. We have the delivery mechanism and technology to make things happen.**
- **We have 850 offices across the nation staffed with outstanding personnel who are capable of innovation and problem solving.**
- **We are working to help improve the flow of capital, strengthen technology, rebuild infrastructure and increase opportunities of all types.**
- **By working together, we hope to increase economic opportunities and improve the quality of life. We will create a stronger rural economy and reduce our country's dependence on imported energy supplies.**